

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
August 8, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

A Special Meeting of the Illinois Gaming Board (“Board”) was held on August 8, 2002. The Board met in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle for closed session.

The following Board members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Tobias Barry, and Violet Clark.

The meeting convened at 9:10 A.M. Pursuant to Section 2(c), paragraphs 4 and 11 of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Barry moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's (August 8, 2002) agenda and relating to the following subject matter:**

- 1. Administrative hearings;**
- 2. Litigation involving Emerald Casino, Inc.; and**
- 3. Pending litigation and matters involving probable litigation.**

Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

The Board convened its Open Session at 10:55 A.M.

Chairman Jones stated that since the last meeting, which provided the public an opportunity to comment on the proposed Emerald settlement term sheet, the lawyers for Emerald, the IGB staff, Robert Shapiro, outside counsel to the Board, and Administrator Parenti have nearly finalized revisions of a settlement agreement.

Owner Licensee Items

EMERALD CASINO, INC. – REQUEST TO WAIVE TWO MEETING REQUIRMENT - Member Higginbottom moved that **the board waive the requirement of Board Rule 3000.105(e) and permit Emerald Casino, Inc. to present for Board approval its request to transfer shares.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Parenti stated that during the past few weeks, Staff and Robert Shapiro, outside counsel to the Board, have negotiated with Emerald's corporate counsel to develop a settlement agreement incorporating the offer term sheet. Administrator Parenti stated that Staff has won certain significant issues in the settlement agreement. Administrator Parenti stated that Emerald Casino wanted the amounts that their investors put into the casino project to be confidential. Administrator Parenti stated that that information would not be confidential and that everything dealing with the settlement would be an open process and would be open to the public. Administrator Parenti stated that Staff has insisted upon a full audit of Emerald's books and records so that all buyers and all prospective bidders would have all of the appropriate information to bid upon the 10th license. Administrator Parenti stated that Staff wanted to insure that Kevin and Donald Flynn were completely disassociated with the Illinois gaming industry. Administrator Parenti stated that Kevin Flynn's contract with Boyd Gaming, as it relates to Indiana and Michigan, would not impact on the Illinois gaming industry in any way. Administrator Parenti stated that the final significant issue that Staff prevailed on during the settlement agreement negotiations was the establishment of a sales agent to perform the bidding process. Administrator Parenti stated that the sales agent (1) would be unaffiliated with Emerald Casino and the Illinois Gaming Board; (2) would conduct the sale process; and (3) would present all information concerning the sale to the Board for the Board's approval. Administrator Parenti stated that Staff believes that the settlement agreement protects the integrity of Illinois gaming and allows the Board and Staff to move forward with a new casino in the foreseeable future.

Mr. Robert Shapiro, Outside Counsel for the Board, presented the settlement agreement to the Board for the Board's consideration.

Administrator Parenti discussed some factors that the Board would consider regarding the 10th license. Administrator Parenti stated that potential buyers should provide information including the economic benefit to the surrounding municipal areas, affirmative action plans, what type of involvement there would be in charitable work, what type of contributions would be made towards problem gambling, and how the proposed entity would comply with section 11.2's minority investor requirements.

Mr. Shapiro stated that it is the expectation of Staff that the bidding process will move rapidly. Mr. Shapiro stated that Staff hopes that the proposals could be received as soon as forty-five days after the settlement agreement is executed or soon thereafter. Mr. Shapiro stated that it is expected that the proposals would all be submitted at the same time and in sealed form so that no prospective purchaser would know what another prospective purchaser is proposing. Mr. Shapiro stated that the proposals would be submitted in sealed form and that they would ultimately be unsealed and available for all to see, and then they would ultimately be evaluated by the Board. Mr. Shapiro stated that the Board would evaluate the proposals, and once the Board finds an appropriate purchaser, the final negotiation and execution of a sale document, a full investigation of the perspective purchaser, and the closing of the sale would take place. Mr. Shapiro stated that after the closing of the sale, the construction of the casino would take place. Mr. Shapiro stated that once the Board finds an appropriate prospective purchaser, the process, by the terms of the

agreement, is required to take place within 18 months, and if it is not completed in 18 months, either party has the right to terminate the agreement.

Chairman Jones stated that he feels that the core principals that the Board wanted to be encompassed in any settlement agreement have been achieved. Chairman Jones stated that according to the terms of the settlement agreement, there is no profit for improper activity. Chairman Jones stated that he feels that the independent sales agent that will be conducting the bidding process is an important provision of the agreement. Chairman Jones stated that full disclosure of the settlement agreement would allow the public to have a full sense of what is going on with the Emerald settlement agreement. Chairman Jones stated that the settlement agreement would be available to the public next week.

Member Clark offered the following resolution:

WHEREAS, Emerald Casino, Inc., (Emerald) formerly known as HP Inc., was initially granted an owner's license to conduct riverboat gaming in Illinois on July 9, 1992. The Illinois Gaming Board (Gaming Board) renewed Emerald's owner's license in July 1995 and again in July 1996.

WHEREAS, on June 24, 1997, the Gaming Board voted to deny the renewal of Emerald's owner's license and issued a Notice Of Denial on June 27, 1997. On July 2, 1997 Emerald requested an administrative hearing regarding the denial of its renewal application.

WHEREAS, on July 29, 1997, Emerald ceased all gaming operations.

WHEREAS, before the Gaming Board took final action on the denial of Emerald's renewal application, the Illinois General Assembly amended the Illinois Riverboat Gambling Act (the Act). The Act, as amended, became effective June 25, 1999.

WHEREAS, on September 7, 1999, the Gaming Board determined that the administrative proceeding involving the denial of Emerald's renewal application was moot due to the amendment of the Act. The Gaming Board further allowed Emerald to file a new Application For Renewal Of Owner's License.

WHEREAS, on September 24, 1999, Emerald filed an Application For Renewal Of Owner's License with the Gaming Board.

WHEREAS, on January 30, 2001, the Gaming Board voted to deny Emerald's Application For Renewal Of Owner's License and also voted to revoke Emerald's owner's license.

WHEREAS, on March 6, 2001, the Gaming Board issued a Notice Of Denial Of Emerald's Application For Renewal Of Owner's License and also issued a Complaint For Disciplinary Action seeking revocation of Emerald's owner's license.

WHEREAS, on March 13, 2001, Emerald filed a verified Request For Hearing on the Notice Of Denial of its Application For Renewal of Owner's License. Additionally, on March 26, 2001, Emerald filed a Verified Answer to the Complaint For Disciplinary Action.

WHEREAS, on May 21, 2001, Emerald filed a Complaint For Declaratory Relief And Writ of Mandamus against the Gaming Board in the Circuit Court of Cook County, Illinois.

WHEREAS, on May 15, 2002, Emerald filed a Complaint For Declaratory And Injunctive Relief against the Gaming Board in the Circuit Court of Cook County, Illinois.

WHEREAS, administrative proceedings on the Gaming Board's Complaint For Disciplinary Action commenced on or about May 29, 2002 and remain pending before an administrative law judge.

WHEREAS, Emerald has not conducted gaming since July 1997.

NOW, THEREFORE,

BE IT RESOLVED, that the settlement agreement is in the best interests of the State of Illinois, complies with the responsibilities of the Gaming Board and is in accord with public policy and applicable law.

BE IT RESOLVED, that based on the presentation by counsel and staff, the Gaming Board approves the settlement agreement incorporating the Offer Term Sheet between Emerald and the Gaming Board and delegates to the Administrator the authority to execute the settlement agreement upon final review and approval by trial counsel. Further, counsel of record is directed and authorized to undertake all necessary steps to implement the terms of the settlement agreement and dispose of all other legal proceedings pending between Emerald and the Gaming Board in accordance therewith.

Member Clark moved that **the Gaming Board adopt this resolution**. Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that, **as part of the settlement with Emerald Casino, Inc., the Board approve the purchase by Donald Flynn of 325.44286 shares held by Howard Warren, Anne O'Laughlin Scott, Richard Forcythe, Russell Steger, Barton Love, and Peer Pedersen subject to and conditioned on the sale of Emerald Casino, Inc. as specified in the settlement agreement**. Member Higginbottom seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearing./ALJ Report

IN RE THE DISCIPLINARY ACTION OF EMERALD CASINO, INC., DC-01-05 AND IN RE IN THE MATTER OF THE DENIAL OF THE RENEWAL OF THE OWNER'S LICENSE OF EMERALD CASINO, INC., GL-01-01 – Member Higginbottom moved that **the Board authorize and direct trial counsel to present the executed settlement agreement to Administrative Law Judge Herbert Holzman for disposition of the above matters in accordance with the terms of the settlement agreement.** Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

Member Higginbottom commended all of the parties that worked hard on the settlement agreement.

Member Rogal moved that the Board adjourn. Member Barry seconded the motion. The Board adjourned at 11:42 A.M.

Respectfully submitted,
Monica Thomas

Secretary to the Board